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SUBJECT: Expanded Role for Caretaker Prime Minister the Likely Result of Collapse in Effort to Form Next Belgian Government

¶1. The King has resumed his consultations following the collapse of Flemish Christian Democrat Yves Leterme's six-month government formation attempt. He was closeted with Leterme at midday on December 3, having started his session almost two hours earlier. Caretaker Prime Minister Guy Verhofstadt (Open VLD - Flemish Liberals) was called to the Royal Palace on Saturday and again today, fueling speculation about a pivotal role for Verhofstadt during the coming weeks and months.

¶2. Verhofstadt's involvement suggests that his Liberal/Socialist caretaker government would be tasked with drafting and implementing the 2008 budget. Liberals and Socialists have no majority in Parliament, but they would seek support on the other benches to adopt and implement, not only the budget, but also a wider range of law and order, and socio-economic measures deemed necessary for the functioning of the country. It is unclear yet if this new arrangement would extend to foreign policy matters.

¶3. Meanwhile Verhofstadt would seek to get the Constitutional Convention off the ground. This issue, which is partly responsible for torpedoing Leterme's formation wrk, would be composed of majority and opposition politicians. Its job would be to devise a consensus on redefining the responsibilities of the federal and regional governments. The widely divergent opinions between hardliners on the Flemish and francophone side of the language border made it necessary for Leterme to abandon his attempt to form a government.

¶4. The story of how Laterme's formation attempt came to a dramatic end has become increasingly clear since he announced its end on December 1. The key event was a decision by CDH (francophone Christian Democrats) party president Joelle Milquet to say "no" at least one of three ultimatums issued by Leterme to four potential coalition partners (Flemish and francophone Christian Democrats and Liberals). He received positive answers from all the parties save the CDH. Milquet refused to continue the talks, arguing that Leterme had changed an earlier version an institutional blueprint to satisfy his Flemish nationalist allies in the New Flemish Alliance (N-VA). (Comment: Leterme thinks he was done ill by Milquet, who had argued against any institutional reforms since the talks began in July. End Comment.)

¶5. The collapse of the government formation talks is a terrible personal setback for Leterme, one that will diminish his political weight and potential. But CD&V (Flemish Christian Democrat) heavyweights tried to put on a bright face, saying that Leterme remained their leader, adding that the party would only join a future government coalition that he directed. The two Liberal parties blamed the Flemish Christian Democrats and the N-VA for the failure, but remained available to form a coalition

government with an institutional reform agenda.

¶6. Speculation about what happens next in terms of the next government has taken many forms. One idea that received considerable play over the weekend involved the various Socialist and Green parties. So far not involved in the government formation talks, leaders of both groups sent out mixed signals during the weekend. The francophone Greens (Ecolo) announced that they would not take up the place left vacant by the CDH to salvage the government formation. Francophone Socialist Party (PS) leader Elio Di Rupo said that the country needed a "grand coalition" capable of handling the socio-economic and institutional issues.
(Note: the current grouping of three parties, Flemish and francophone Liberals, and the CD&V/N-VA alliance is about five seats short of a majority, hence the need to find a new partner.)

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